No. 22116
No. 22116-A

IN THE

United States Court of Appeals for the Ninth Circuit

MISTER DONUT OF AMERICA, INC.,
Appellant,

vs.

MR. DONUT, INC., et al,
Appellees.

MR. DONUT, INC., et al,
Appellants,

vs.

MISTER DONUT OF AMERICA, INC.,
Appellee.

REPLY BRIEF OF DEFENDANTS MR. DONUT, INC., ET AL IN APPEAL NO. 22116A

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This is a reply brief of defendants Mr. Donut, Inc., et al in Appeal No. 22116A and is directed solely to a reply to the portion of Plaintiff-Appellant's Brief commencing on Page 16 concerned with the District Court's failure to award defendants their attorneys' fees incurred in defending this action.

Finding of Fact 8 Provides A Sound Basis For Defendants' Contention Plaintiff's Marks Were Obtained By False Representations.

At Page 17 of its Brief, plaintiff argues that Finding 8 must be upset if defendants are to assert a claim for attorneys' fees. Actually, however, Finding 8 spells out plaintiff's false representations to the Patent Office in effecting registration of its MISTER DONUT marks. Thus, Finding 8 reads:

> "8. Plaintiff commenced using the mark MISTER DONUT about August 1955, when plaintiff was known as Harwin Management Corp. By October, 1957, the plaintiff had shops franchised under its mark MISTER DONUT in Massachusetts and New York. Shops were opened in Florida, Michigan and Virginia in 1958; Ohio, in 1960; Connecticut and Illinois, in 1961; Delaware, Georgia, Indiana, Pennsylvania and New Jersey, in 1962; Minnesota, in 1963; Nebraska, Maine, Kentucky, Ohio, Colorado, West Virginia and Wisconsin in 1964. In 1964 there were approximately one hundred twenty-five (125) Mister Donut shops in twenty (20) states However, it was not until 1966 that shops were actually opened in the State of California."

According to Finding of Fact 8, plaintiff commenced using the mark about August 1955 but it was *not until October 1957* that plaintiff had shops franchised in more than one state so as to have entered *interstate commerce.* Of course, federal registration is not available until the applicant is engaged in interstate commerce. Despite the fact that plaintiff did not in fact engage in interstate commerce until 1957, its reg-

istrations falsely represented a first interstate use of August 1955. It is defendants' position that this false representation justifies the award of damages to defendants under 15 USC 1120.

The Failure Of The District Court To Award Defendants Its Damages Under 15 USC 1120 Was Based Upon An Error In Law And Not An Error As To Fact.

As noted hereinabove, the District Court found as a matter of fact that plaintiff did not engage in interstate commerce until 1957. Plaintiff's applications for registrations, however, allege a first interstate use of August 1955. Such fact is apparent from the face of the registrations and cannot be contested. It will therefore be clear that a false date of August 1955 was represented by plaintiff in order to obtain its registrations. These facts should have caused the District Court to conclude that plaintiff obtained its registrations falsely. Instead, however, the District Court entered Conclusion of Law 11 holding plaintiff's registrations were neither false nor fraudulent. This conclusion was an obvious error in law. As such, therefore this Court can rule on such error without finding the District Court to have erred in a matter of fact.

The District Court's Error In Law Was Most Likely Induced By Plaintiff's Misapplication Of 15 USC 1115(b).

As set forth at Page 20 of Defendants' Brief the basis of defendants' request for attorneys' fees is 15 USC 1120.

According to 15 USC 1120:

> "Any person who shall procure registration in the Patent Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof."

Plaintiff, however, commencing at Page 19 of its Brief cites several authorities to support plaintiff's contention that defendants are not entitled to their attorneys' fees because plaintiff's registrations were not fraudulent. Plaintiff cited these same cases to the District Court in its Brief after Trial (R.T. 436). *It should be carefully noted that not a single one of these cases is directed to the recovery of attorneys' fees under the provisions of 15 USC 1120. Instead, these cases are each directed to cancellation proceedings based upon 15 USC 1064.* This section has no relation to the recovery of attorneys' fees under the provisions of 15 USC 1120. The pertinent portion of 15 USC 1064 giving rise to the cases cited by plaintiff is as follows:

> "Sec. 14 (15 U.S.C. 1064). Cancellation of registrations.
>
> A verified petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this Act, or under the Act of March 3, 1881, or the Act of February 20, 1905 * * *
>
> (c) at any time if the registered mark becomes the common descriptive name of an article or substance, or has been abandoned, or its registration was obtained fraudulently."

Referring to the above language it will be noted that cancellation is available where the registration was obtained *"fraudulently."* The sanctions of 15 USC 1120, however, are invokable where the mark is procured by a *"false* or fraudulent" declaration or representation. It will therefore be apparent that a lesser standard of bad faith is required to obtain damages under 15 USC 1120 than to obtain a cancellation under 15 USC 1064. Thus, none of the cases relied upon by plaintiff to establish it did not act fraudulently in obtaining its registrations is in point.

Plaintiff's Contention That Defendants Have Not Proved Damages Should Be Ignored.

Plaintiff at Page 21 of its Brief contends that defendants should not recover damages because there is "not a scintilla of evidence that the defendants were damaged." This statement conveniently overlooks the stipulation between the parties in open court that the issue of damages would be held in abeyance pending a determination as to liability (R.T. 26, 27). Accordingly, this contention of plaintiff should be summarily rejected by this Court.

Plaintiff Overlooks The Fact That Defendants Do Not Allege Fraud.

Plaintiff at Page 21 of its Brief contends defendants have improperly pleaded fraud since they have not complied with the requirements of Rule 9(b) F.R.C.P. This contention should also be summarily rejected by this Court because defendants are relying solely upon the *false* representations of plaintiff in obtaining its

registrations under 15 USC 1120. Similarly, plaintiff's reference to the *Academy Award* case is not in order since the court in that case was dealing with a *fraudulently* obtained registration in a cancellation proceeding and not with an award of attorneys' fees under 15 USC 1120, as in the CA 2 *Academy Award* case cited at Page 21 of Defendants-Appellees' Brief.

Plaintiff's Reliance On The Fleischmann Case Is Misplaced.

Plaintiff's last argument appears at Page 23 of its Brief wherein it cites the *Fleischmann* case and the citations appearing therein as justifying the failure of the District Court in this case to award defendants its damages under 15 USC 1120. The *Fleischmann* case, however, involved an interpretation of 15 USC 1117, not 15 USC 1120. In *Fleischmann* a successful plaintiff sought attorneys fees from a deliberate trademark infringer in addition to defendant's profits, plaintiff's damages and costs. The Supreme Court held that because 15 USC 1117 of the Lanham Act detailed the remedies available to a successful plaintiff and attorneys fees are not spelled out as a remedy, such fees are not available.

In the present case 15 USC 1120 permits a prevailing defendant to recover his damages where he is sued under a falsely obtained mark. Defendants herein are seeking to recover attorneys fees as a measure of such damages. This was the exact factual situation in the aforementioned *Academy Award* case wherein the CA 2 held attorneys fees to be the proper measure of damages in a 15 USC 1120 proceeding.

This Court should rule as a matter of law defendants are entitled to their attorneys fees incurred in defending this action.

Dated: May 6, 1968.

Respectfully submitted,

FULWIDER, PATTON, RIEBER, LEE & UTECHT

By Francis A. Utecht

Attorneys for Defendants-Appellees

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

Frances A. Utecht